

## **Coalition to Reform Long-Term Care Financing**

### ***LTC CHOICE: Saving the Long-Term Care System***

**Objective:** To prevent the collapse of Washington's long-term care system by returning Medicaid to its original purpose as a program to finance care for those who do not have the resources to pay for their own care. Without strong action, the state will be unable to maintain necessary long-term care funding as the "baby boomer age wave" leads to a doubling of the elder population over the next 20 years.

Ending the defacto Medicaid entitlement that has been created, and reducing the current heavy reliance on Medicaid to finance long-term care services, has the potential to save as much as \$250 million in state funds each biennium once the reforms are fully implemented. If only as few as 10% of the future Medicaid caseload can be shifted to a self-pay basis, this alone will save \$50 million each biennium. This approach will also give consumers greater control over their care and allow for adequate funding to support the best possible quality of care for the elderly and people with disabilities.

**Reforms:**     **1)** Return Medicaid to its original purpose of financing care for those indigent individuals who cannot pay for their own care. Require individuals, who are able to afford it, to utilize their personal assets to finance the LTC services they require.

**2)** Develop a mechanism to enable individuals to obtain financing based upon their assets and to be paid by their estates only after both the individual and any surviving spouse have died.

**3)** Educate the public on each individual's responsibility for meeting his or her long-term care needs.

**Benefits:**     **Long-term care consumers** will have more choices and better access to the services they want as more of them enter the market as private buyers.

**Long-term care providers** will see their costs met and be able to meet changing consumer preferences in a market that is two-thirds private.

**State budget writers** will experience a significant drop in demand for scarce public resources.

**Medicaid-sponsored residents** will receive better care because government payers will be able to pay on a more adequate basis since they will be responsible for fewer eligible people.

**Long-term caregivers and other employees** will benefit by higher wages that providers will be able to pay as they become less dependant on public funds.

**Recipients, providers and caregivers** will all benefit from enhanced quality of care when greater reliance on private financing provides the resources necessary to improve staffing.

**Taxpayers** will benefit because they will no longer be required to subsidize the care for people who can afford to pay their own way.

Contact:      *Jerry Reilly, (360) 561-4212 . . . [jerryreilly@msn.com](mailto:jerryreilly@msn.com)*

1/30/03

## SO YOU WANT TO BE A BILLIONAIRE

By  
Gerald J. Reilly

Demographics are destiny. Every day in the United States fifty thousand people reach the age of fifty. By 2015 these people will begin to turn sixty-five. Older people use three times as much health care services, per capita, as younger people. How are we going to pay for this?

In Washington State we cannot afford to maintain the public costs for our current health care obligations to the poor, the young, the disabled, let alone the elderly. The supplemental budget just adopted by the legislature will spend \$1.4 *billion* more than we will collect in revenues this biennium. Additional cuts imposed on health care to help balance this budget will further damage a system already in serious trouble.

What if you learned that one billion dollars in additional federal funds were available to us each year to improve funding for our health care system? Would you take steps to secure this money? Well, the funds are available and there are measures we can take to obtain them.

Each year Washington State taxpayers send about five hundred million dollars to Washington D.C. because of the way we raise state revenues with our heavy reliance upon the sales tax. State sales tax expenses are *not* deductible for Federal income tax purposes. If Washington State raised an equivalent amount, through a replacement income tax, we would be able to keep one half billion dollars here, because the income tax expense *is* deductible.

If we keep this one half billion dollars in the public sector, by setting the tax rate high enough to re-capture the funds that otherwise would have gone to the federal government, and spend it here on federally matchable health care programs, it would generate another one half billion dollars in federal funds. We would then have produced a total of one *billion* dollars in additional support for essential health care services without a *single* dollar of increased net tax revenue within the state.

To replace the 7.6 billion dollars we now raise annually by our state and local sales taxes (8.3%) with an income tax would require a tax rate of 4.5%. To recapture the funds we now send the federal government, because of the non-deductibility of the sales tax, would require an additional .3% for a total income tax rate of 4.8%.

Is this feasible? It would take an amendment to our state constitution. This requires a two-thirds vote in each House of the legislature and a vote of a majority of the people at a general election. The last time the income tax was on the ballot in 1973 it was soundly defeated. It would be a very difficult challenge. Nonetheless, would you like to find a billion dollars for health care without any net increase in taxation on Washington people? I would. Let's figure it out. Let's get started.

March 2002